

MARKETBEAT PHOENIX

Multifamily Q4 2021



YoY Chg 12-Mo. Forecast

4.2%

Vacancy Rate



0.6K

Net Absorption, units



\$1,626

Average Rent, per unit



All statistics are based on properties containing 100+ units.
Source: Yardi Matrix.

ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

2.3M

Phoenix Employment



3.6%

Phoenix Unemployment Rate



3.9%

U.S. Unemployment Rate



Q4 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA), United States Census Bureau.

ECONOMY: Recovery Continues

In Q4 2021, the Phoenix market recorded an employment level of 2.3 million jobs, a 5.7% increase from Q4 2020. The unemployment rate decreased from 6.5% in Q4 2020 to 3.6% in Q4 2021. Phoenix is still one of only a few large markets where employment is higher now than it was in February 2020.

SUPPLY & DEMAND: Construction Continues While Vacancy Remains Low

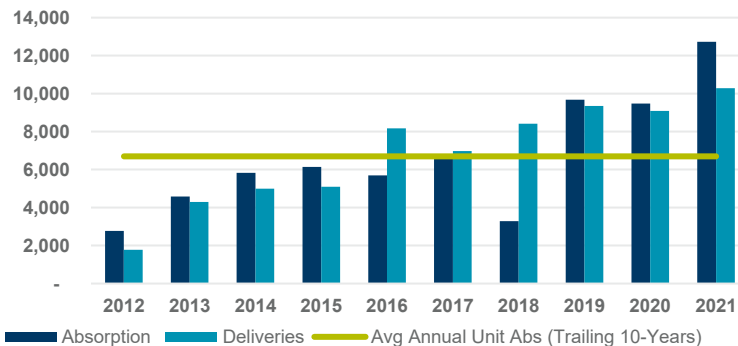
The Metro Phoenix multifamily market finished 2021 with persistently strong rental demand on par with robust new construction. The market absorbed over 12,700 units in 2021, nearly doubling the average annual absorption (6,698 units) since 2012. In Q4 2021, the Mesa/Gilbert (330 units), Central Phoenix (252 units) and Glendale/West Valley (227 units) submarkets recorded the largest net gains in positive absorption. Vacancy decreased 30 basis points (bps) from the fourth quarter of 2020 (4.5%) to the fourth quarter of 2021 (4.2%). The Tempe submarket vacancy rate declined from 4.8% in the fourth quarter of 2020 to 3.9% in the fourth quarter of 2021, making its 90 bps drop in vacancy the largest decrease.

Multifamily development continues to grow in the Metro Phoenix market with 9,952 units completed across 52 properties in 2021. The completions were located across the entire market, with the highest concentration of units delivered in the submarkets of Glendale/West Valley (1,757 units), Mesa/Gilbert (1,461 units), and the Northwest Valley (1,425 units). These submarkets are highly active due to the constant flow of new deliveries, as well as the influx of residents from out of state. Across the market there are currently over 36,000 units under construction. Glendale/West Valley (7,858 units), Central Phoenix (6,541 units), and Chandler/Queen Creek (5,836 units) submarkets contain the most units under construction. In addition, there are over 23,000 units planned for development in the Phoenix market.

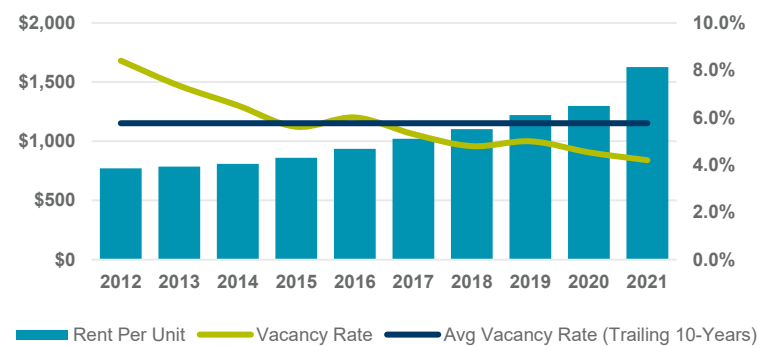
PRICING: Quarterly Rise & Year-over-Year Rise

Asking rent growth increased in the fourth quarter across all submarkets. Effective rates increased from \$1,297 per unit in Q4 2020 to \$1,626 per unit in Q4 2021, a 26.8% increase. The Scottsdale (\$2,073 per unit) submarket saw the largest YoY asking rate increase of 31.1%. The Central Phoenix submarket (21.5%) saw the lowest YoY rental rate increase, growing from \$1,369 in Q4 2020 to \$1,663 in Q4 2021. Regarding concessions, high demand in the market has led to a significant reduction. Just 3.3% of properties were offering concessions in Q4 2021, and the average concession of those properties was 3.0% of the average annual rental rate.

OVERALL ABSORPTION



OVERALL VACANCY & EFFECTIVE RENT



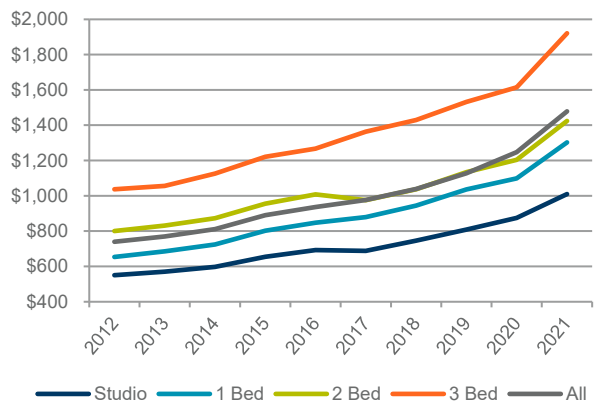
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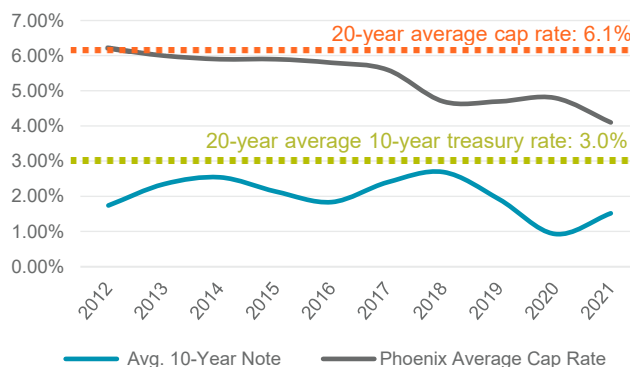
AVERAGE RENT PER UNIT HISTORY (1)

1 BEDROOM UNITS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 99% SINCE 2012



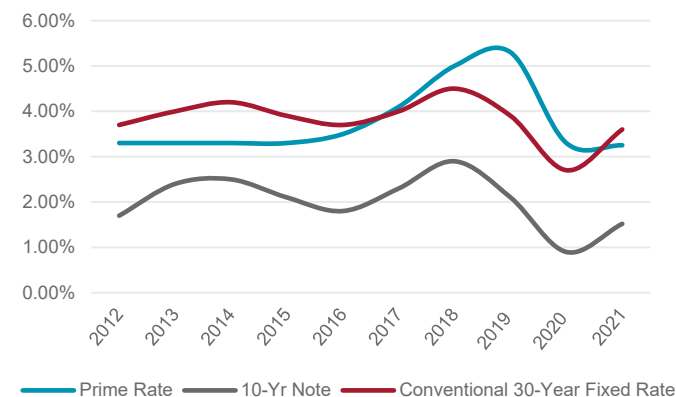
AVERAGE CAP RATE (2)

METRO PHOENIX CAP RATE AND THE 10-YEAR U.S. TREASURY RATE ARE BELOW HISTORICAL AVERAGES AND ABOVE THE HISTORICAL AVERAGE CAP RATE SPREAD OF 3.0%



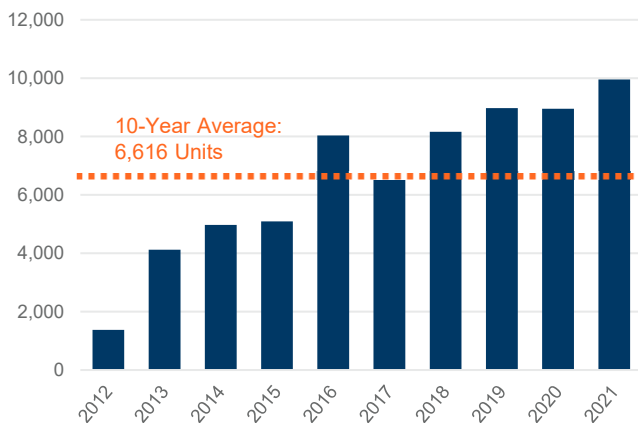
INTEREST RATES (3)

FEDERAL FUNDS TARGET RATE FORECASTED TO REMAIN THE SAME IN THE NEAR FUTURE



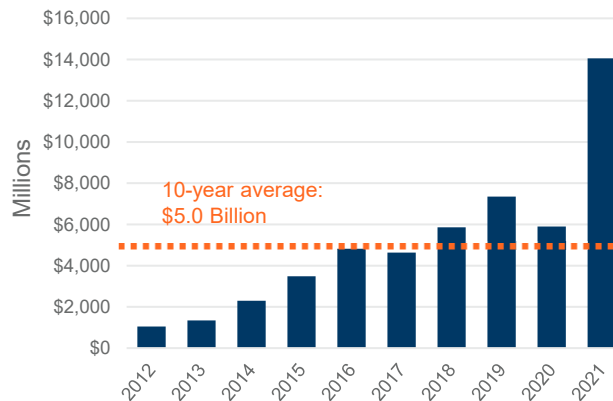
NEW INVENTORY (4)

TOTAL NUMBER OF NEW INVENTORY IN 2021 WAS 150% OF THE 10-YEAR AVERAGE OF 6,616 UNITS DEMONSTRATING HEIGHTENED LEVELS OF DELIVERIES



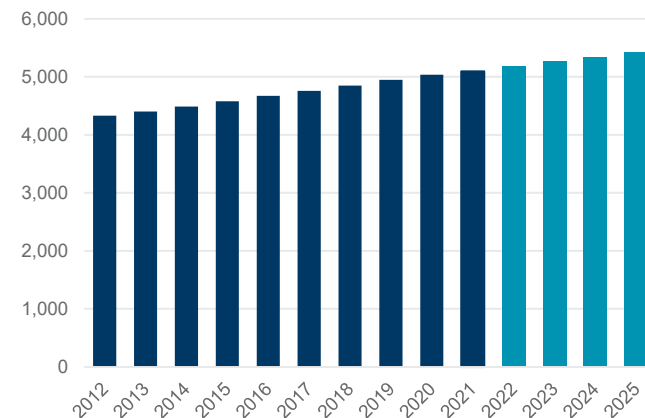
SALES TRANSACTION VOLUME (5)

2021 TRANSACTION VOLUME OF 259 PROPERTIES IS 276% OF THE 10-YEAR ANNUAL AVERAGE OF \$5.0 BILLION



POPULATION (6)

POPULATION IS EXPECTED TO STRENGTHEN THROUGH 2025 GROWTH PROJECTIONS



(1) Yardi Matrix, Cushman & Wakefield

(3) Federal Reserve Board, Wells Fargo

(5) Yardi Matrix

(2) Yardi Matrix, Federal Reserve Board, Cushman & Wakefield

(4) Yardi Matrix

(6) Moody's & U.S. Census Bureau

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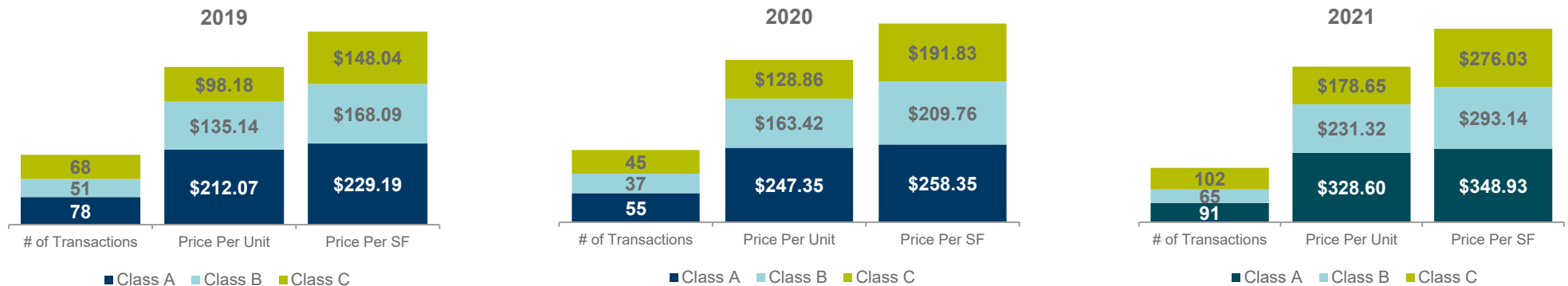
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MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	Q4 2021 VACANCY RATE	NET ABSORPTION (UNITS)		ASKING RENTAL RATE / UNIT	UNDER CONSTRUCTION (UNITS)	PLANNED (UNITS)
			Q4 2021	2021 YTD			
(1) Ahwatukee	12,914	4.5%	23	243	\$1,673	1,465	180
(2) Central Phoenix	27,658	4.4%	252	2,176	\$1,663	6,541	3,300
(3) Chandler/Queen Creek	27,583	4.1%	-46	1,363	\$1,861	5,836	2,556
(4) East Phoenix	21,340	5.3%	-87	674	\$1,476	910	643
(5) Glendale/West Valley	34,620	3.9%	227	1,143	\$1,495	7,858	4,993
(6) Mesa/Gilbert	46,903	3.3%	330	2,025	\$1,532	2,976	2,858
(7) Northeast Valley	34,384	4.0%	-32	1,623	\$1,641	1,332	2,789
(8) Northwest Valley	30,287	4.1%	-95	1,021	\$1,588	2,610	1,592
(9) Scottsdale	24,471	4.2%	48	221	\$2,073	3,078	1,988
(10) Tempe	35,739	3.9%	117	1,858	\$1,843	3,318	1,837
(11) West Phoenix	32,523	5.4%	-157	377	\$1,191	491	603
TOTAL	328,422	4.2%	580	12,724	\$1,626	36,415	23,339

YEAR OVER YEAR SALES COMPARISON



Q4 2021 KEY SALES TRANSACTIONS

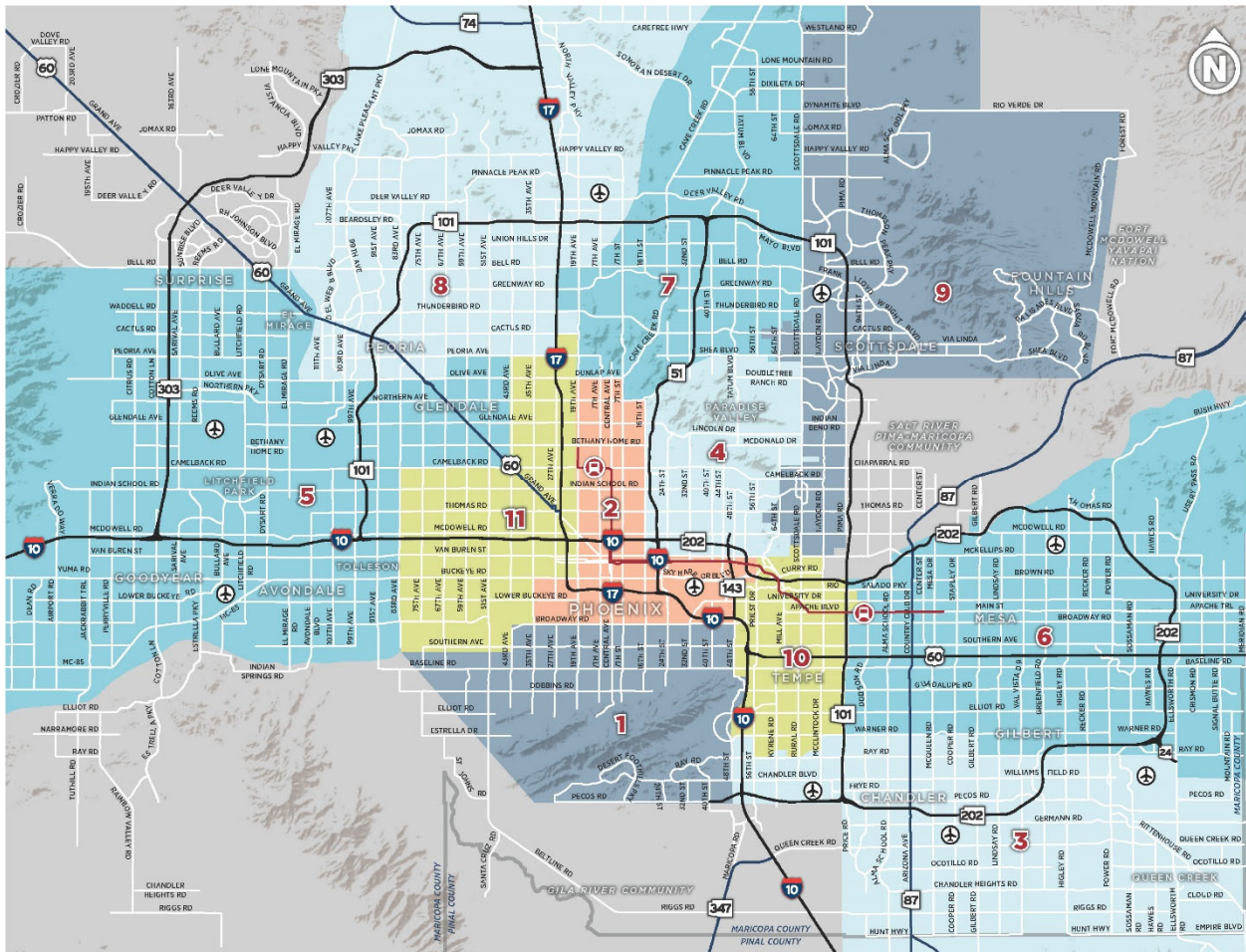
PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/BUYER
Vaseo Apartments	Phoenix	12/15/2021	1,222	1987	879	\$325,000,000	\$265,957	\$315	A	Klein Financial / Invesco
Tempo at McClintock Station	Tempe	10/25/2021	423	2017	907	\$160,000,000	\$378,251	\$296	A	Bascom Arizona Ventures / JB Partners
The District at Chandler	Chandler	12/23/2021	340	2020	952	\$150,000,000	\$441,176	\$469	A	RPM / CWS Capital Partners
Sierra Ranch	Phoenix	12/29/2021	582	1984	650	\$150,000,000	\$257,732	\$476	B	Donald J Dougher II / Benedict Canyon Equities Inc.
Avana at the Pointe	Phoenix	11/8/2021	424	1984	993	\$146,025,000	\$344,399	\$346	B	Greystar Real Estate Partners / Ivanhoé Cambridge
Station21	Mesa	11/29/2021	472	1985	846	\$137,000,000	\$290,254	\$345	C	Tides Equities / Kohlberg Kravis Roberts & Co.
Superstition Vista	Mesa	11/30/2021	464	1985	894	\$131,064,935	\$282,468	\$313	B	IMT Residential / Tides Equities
Oxford Apartments	Phoenix	10/1/2021	432	2000	894	\$127,880,000	\$296,007	\$331	A	Knightvest Management / S2 Capital LLC
Garden Grove	Tempe	11/17/2021	376	1988	825	\$126,000,000	\$335,106	\$386	B	MG Properties Group / Intercontinental Real Estate Corporation
Avery on the Green	Chandler	10/29/2021	325	2000	955	\$125,250,000	\$386,574	\$360	B	The ConAm Group / Decron Properties

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MULTIFAMILY SUBMARKETS



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|---|----------------------|---|----------------------|---|------------------|----|--------------|
| 1 | Ahwatukee | 4 | East Phoenix | 7 | Northeast Valley | 10 | Tempe |
| 2 | Central Phoenix | 5 | Glendale/West Valley | 8 | Northwest Valley | 11 | West Phoenix |
| 3 | Chandler/Queen Creek | 6 | Mesa/Gilbert | 9 | Scottsdale | | |